

# Trends in Income Inequality in Switzerland

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Conference on “The Evolution of Economic and Social Inequalities in Switzerland (and Beyond)”  
University of Neuchâtel, Switzerland

October 23, 2014

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# Overview

- Introduction
- Our project
- Income inequality trends since 1940
- Regional development of income inequality
- Summary and outlook











# Introduction

- Over the last years, income inequality has been a prominent theme in the public discussion in Switzerland
- Various political activities (“Abzocker” initiative, Minimum wage initiative, 1:12 initiative)
- Lots of media coverage



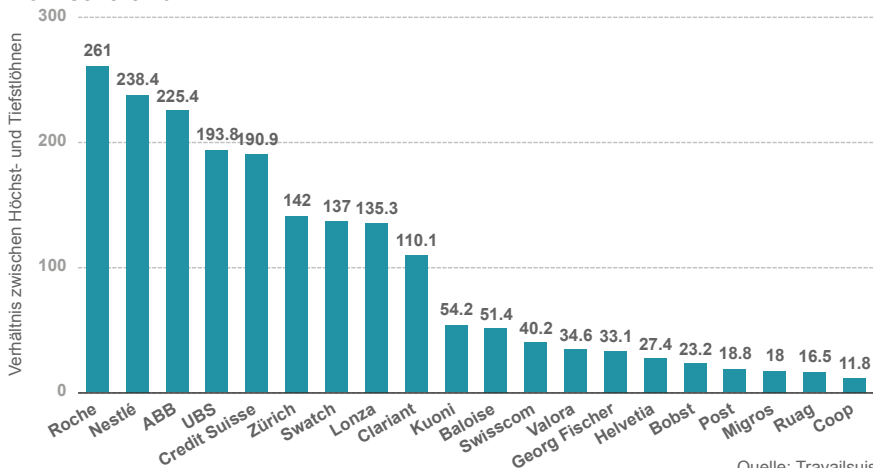
# Die Lohnschere in Schweizer Unternehmen

Verhältnis von Höchst- zu Tiefstsalären 2012

Rang	Konzern	Name	Lohnschere	Entschädigung in Mio. Fr.
1		 Severin Schwan	1:261	15,8
2		 Paul Bulcke	1:238	12,6
3		 Joe Hogan	1:225	10,16
4		 Joseph Jimenez	1:219	13,2
5	 LINDT & SPRÜNGLI	 Ernst Tanner	1:195	9,1

Der Bund, 25.6.2013

## Lohnschere 2012



Quelle: Travailsuisse

Coop erfüllt als einziges Unternehmen die 1:12-Initiative: Eine Übersicht.

# Einkommensschere öffnet sich nicht

Wirtschaftsnachrichten Heute, 11:30



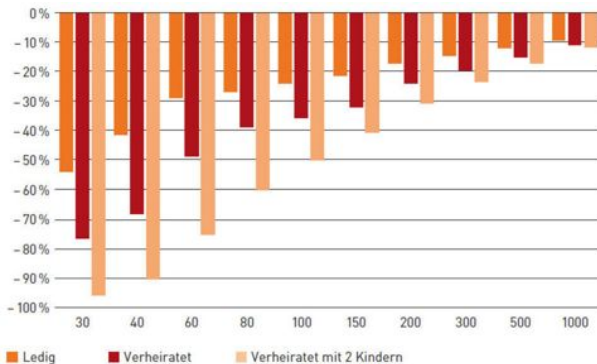
Schaut man sich die Zahlen über die Lebensbedingungen in Europa an, dann erscheint die Schweiz als Insel der Glückseligen. Hierzulande ist der Lebensstandard hoch, und die Einkommensschere geht seit Jahren nicht auseinander.

NZZ, 28.5.2013

# Wer hat, dem wird genommen

Aktualisiert am 02.04.2012 195 Kommentare

**Reiche werden reicher, Arme immer ärmer? Stimmt nicht, sagt Economiesuisse – und präsentiert eine Studie mit brisanten Fakten.**



## Abnahme der Steuerlast zwischen 1990 und 2010

Ärmere Bevölkerungsschichten haben stärker von Steuerreduktionen profitiert: Veränderung der Einkommenssteuerbelastung zwischen 1990 und 2010 (von links nach rechts stehen die Einkommensklassen, in 1000-Franken-Einheiten. Lesebeispiel zum ersten orangefarbenen Balken: 2010 zahlte eine ledige Person mit 30'000 Franken Einkommen rund 50 Prozent weniger als 1990).

Bild: Economiesuisse, ESTV (2011)

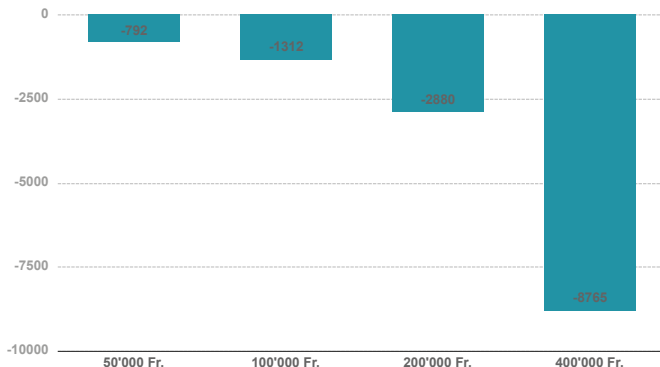
Tagesanzeiger, 2.4.2013

# Trauen Sie keiner Verbandsstatistik

Eine Analyse von **Simon Schmid**. Aktualisiert vor 25 Minuten 5

**Reiche Schweizer hätten wenig, Arme hingegen stark von Steuerreformen profitiert, sagt Economiesuisse in einer Studie. Die Aussage ist problematisch, wie unsere Analyse zeigt.**

Veränderung der Steuerbelastung von Verheirateten: Frankenbeträge



Veränderung von 1997 bis 2008 nach Einkommensklassen, inflationsbereinigt. Quelle: ESTV (2008)

Der Bund, 3.4.2013

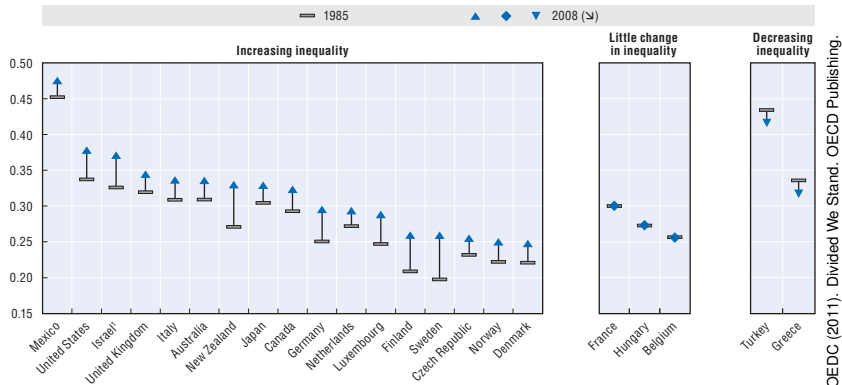


# Introduction: International Trend – Inequality Increase

- There seems to be consensus that income inequality increased in many countries over the last decades.

Figure 1. **Income inequality increased in most, but not all OECD countries**

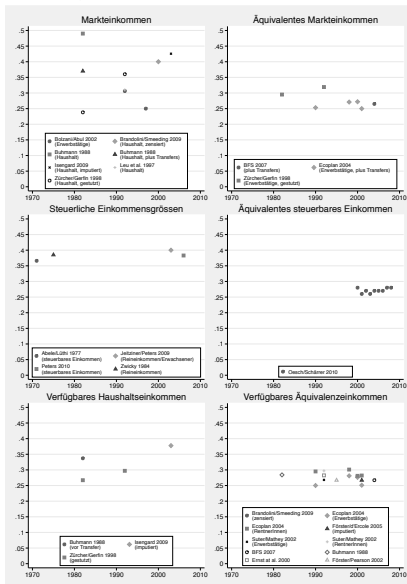
Gini coefficients of income inequality, mid-1980s and late 2000s



# Introduction: What about Switzerland?

- The situation in Switzerland is a bit unclear as there is only little systematic evidence that would allow for long-term comparisons.
- We therefore started a project to collect suitable data and analyze changes in the distribution in income and wealth in Switzerland over the last decades.

Abbildung 1: Gini-Koeffizienten für verschiedene Einkommensdefinitionen, 1970-2010



# Our Project

- Project title:
  - ▶ Inequality in Income and Wealth in Switzerland from 1970 to 2010
  - ▶ Ungleichheit der Einkommen und Vermögen in der Schweiz von 1970 bis 2010
- Funded by the SNF
  - ▶ 445'000.–
- Duration:
  - ▶ February 2013 – January 2016
- Project team:
  - ▶ University of Bern, Institute of Sociology
    - ★ Prof. Dr. Ben Jann, Rudolf Farys, Stefan Ilic
  - ▶ Bern University of Applied Sciences, Fachbereich Soziale Arbeit
    - ★ Prof. Dr. Robert Fluder, Tobias Fritschi, Oliver Hümbelin, Jonas Meier
- More information:
  - ▶ <http://inequalities.ch/>

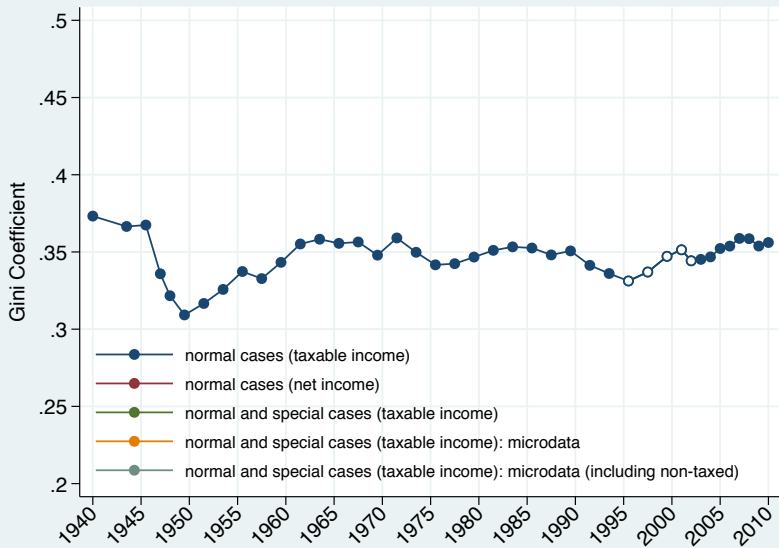
# Our Project: Goals

- Although inequalities in income and wealth are much discussed in the media, there is only little systematic information on the development economic inequalities in Switzerland over time.
- The goal of our project is to fill this gap.
  - ▶ How did the Swiss distribution of income and wealth change over the last decades?
  - ▶ How does the development differ by cantons and how can these differences be explained?
  - ▶ How did the composition of income and wealth change and how did this affect inequality?
  - ▶ How can the development of inequality in income and wealth be explained by socio-demographic change, economic development, and changes in the welfare state?
  - ▶ How do subpopulations differ with respect to economic inequality?

# Our Project: Data

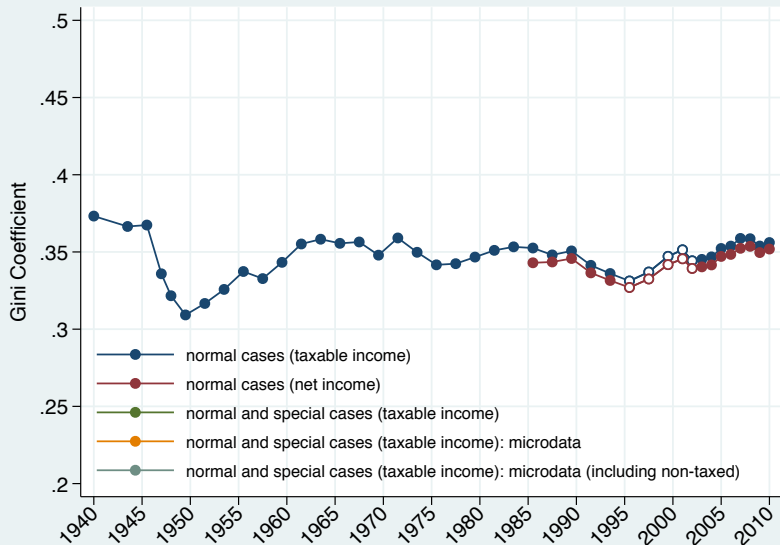
- The project is largely based on tax data.
- Tax statistics published by the ESTV (Swiss Federal Tax Administration)
  - ▶ Provide aggregate information on the distribution of earnings and wealth by canton across most of the 20th century
  - ▶ <http://www.estv.admin.ch/dokumentation/00075/00076/00701/>
- Structural information on cantons and municipalities
- Individual tax data from several cantons
  - ▶ Digital data as far as available
  - ▶ Manual collection of data to fill gap back to 1970
  - ▶ Participating cantons so far: ZH, AG, OW, JU, BS, BE, SG

# Income inequality trends since 1940



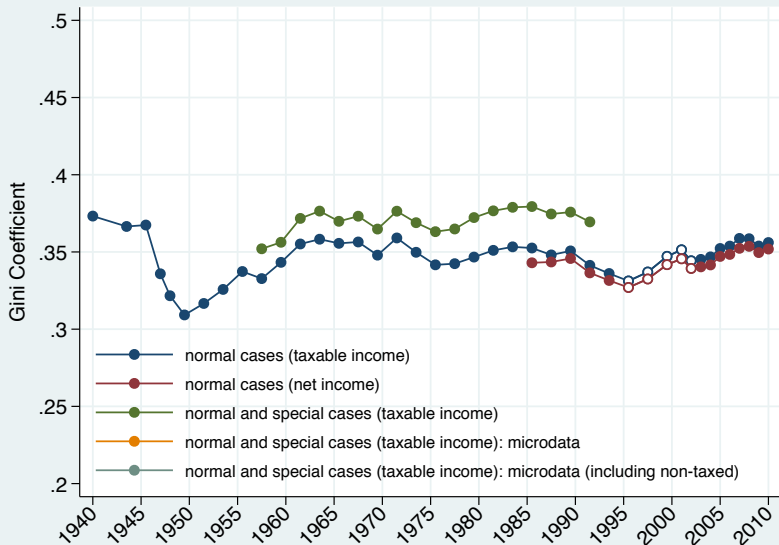
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# Income inequality trends since 1940



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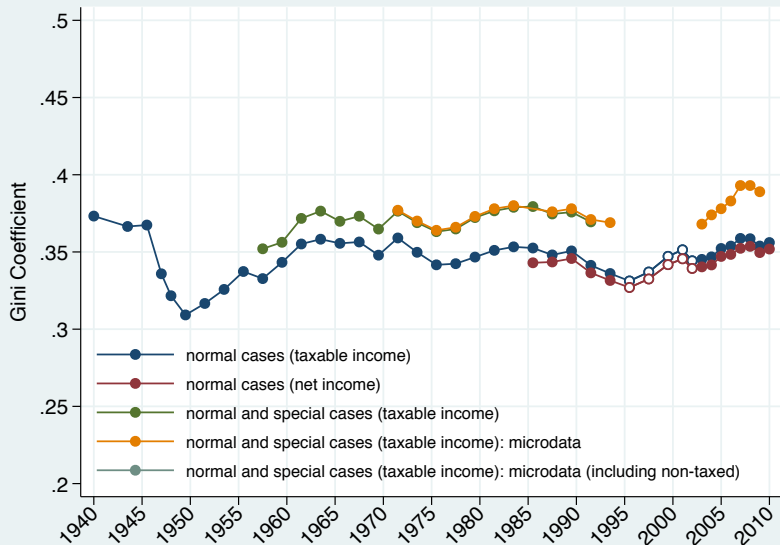
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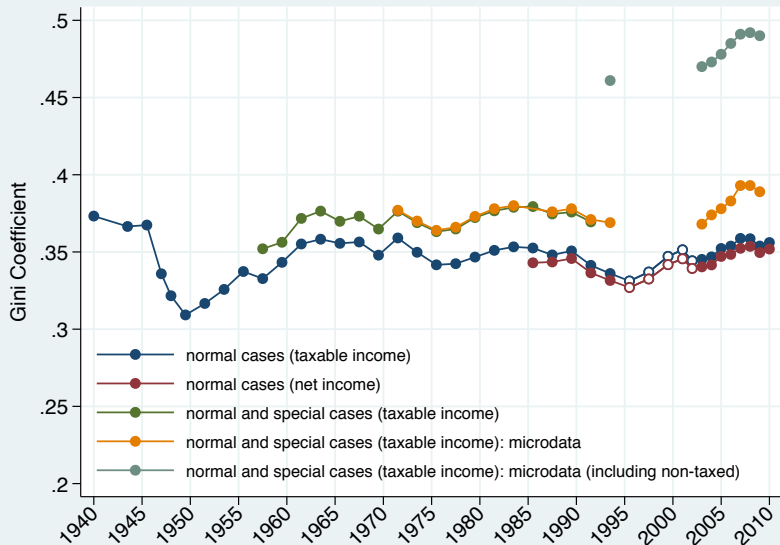


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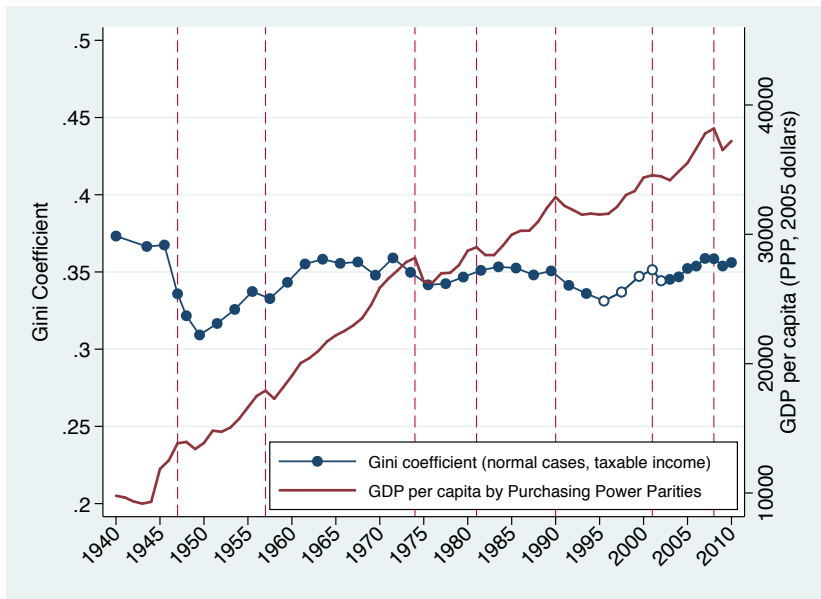
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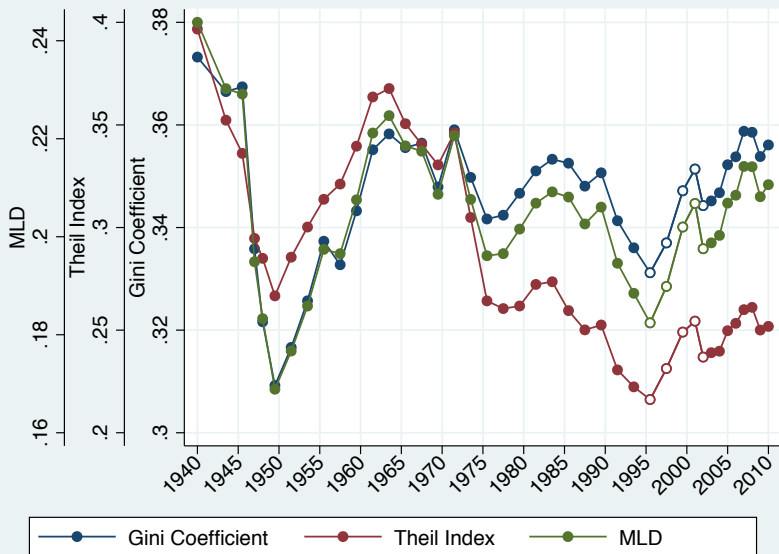
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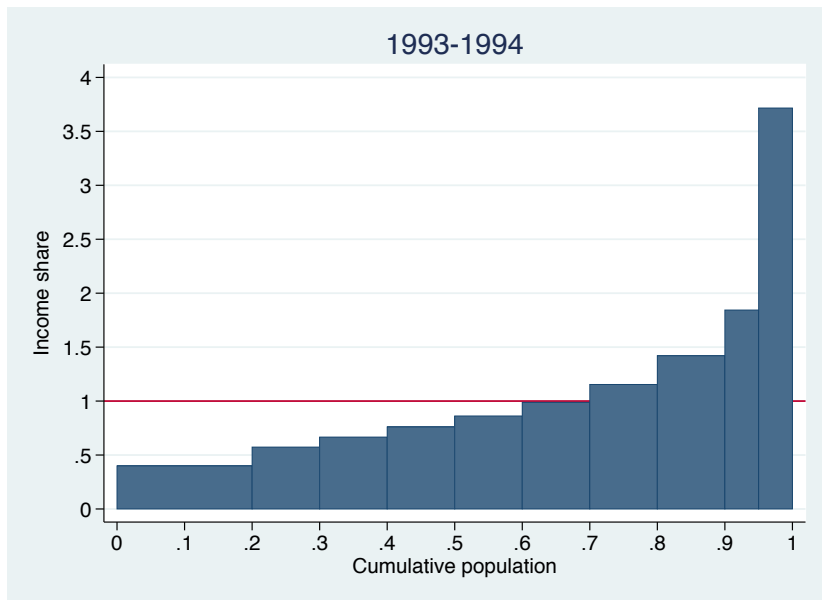
Source: <http://www.estv.admin.ch/dokumentation/00075/00076/00701/index.html>  
and <http://www.gapminder.org/> (GDP)

# Income inequality trends since 1940



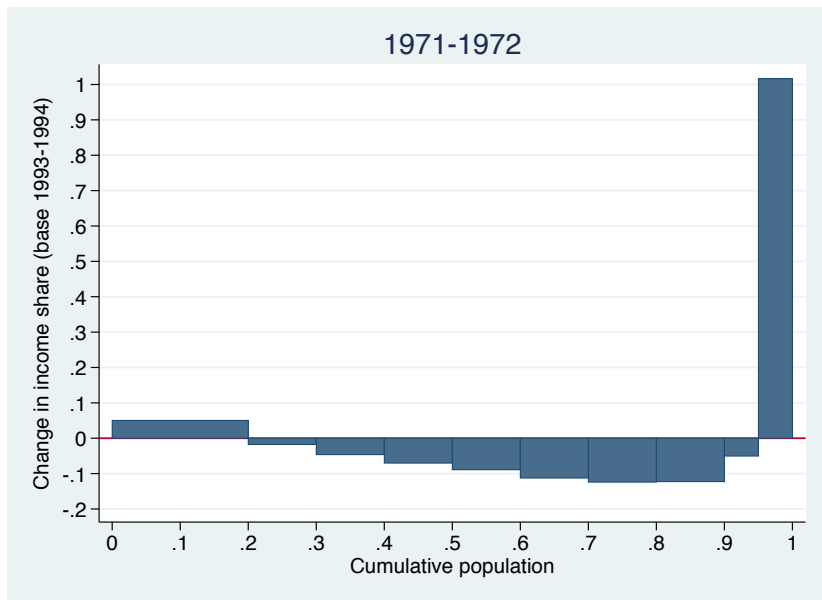
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# Income distribution



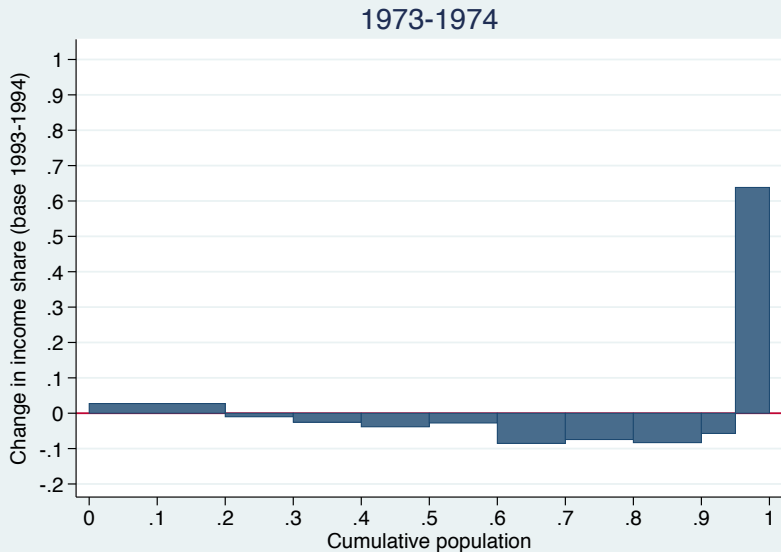
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# Income distribution: shape change (base 1993-1994)



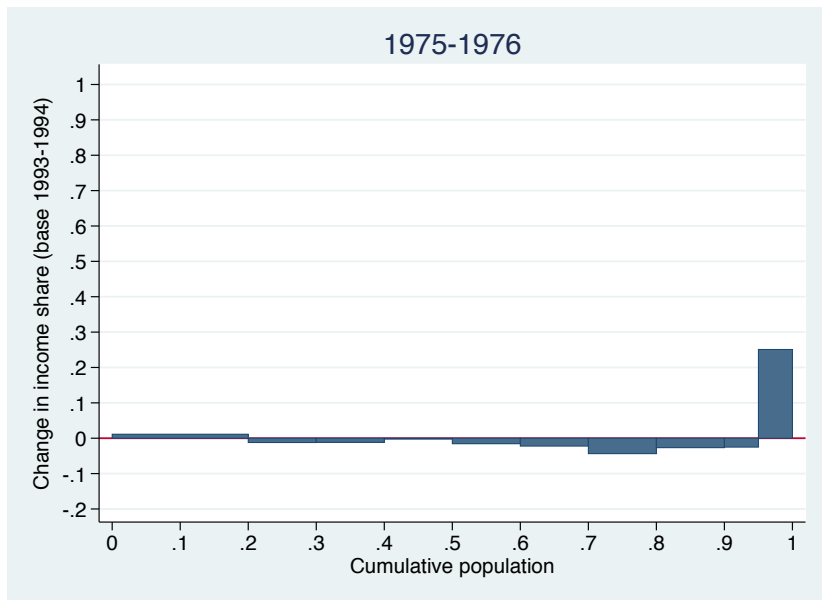
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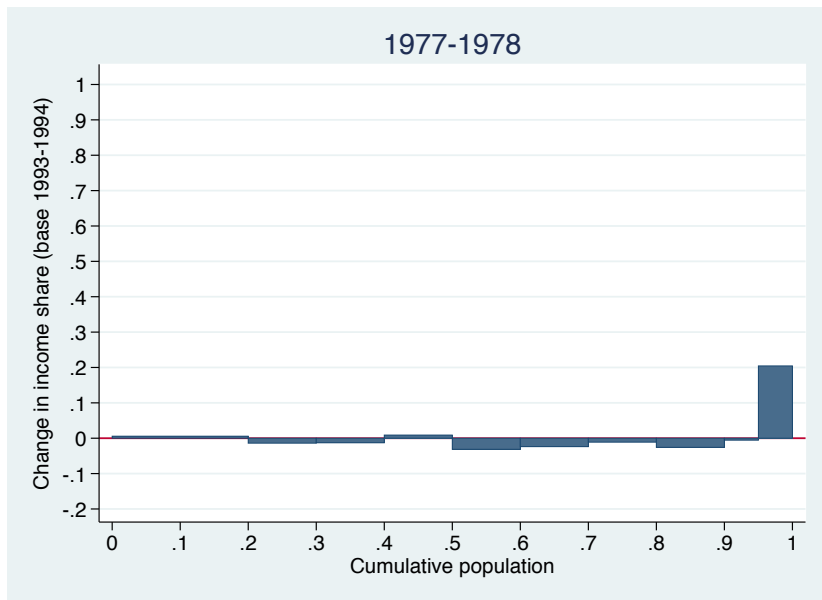
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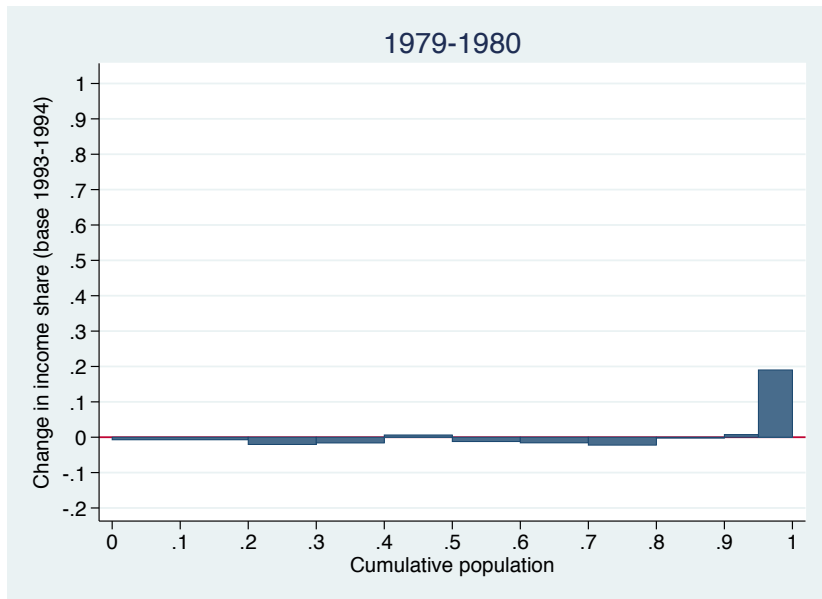


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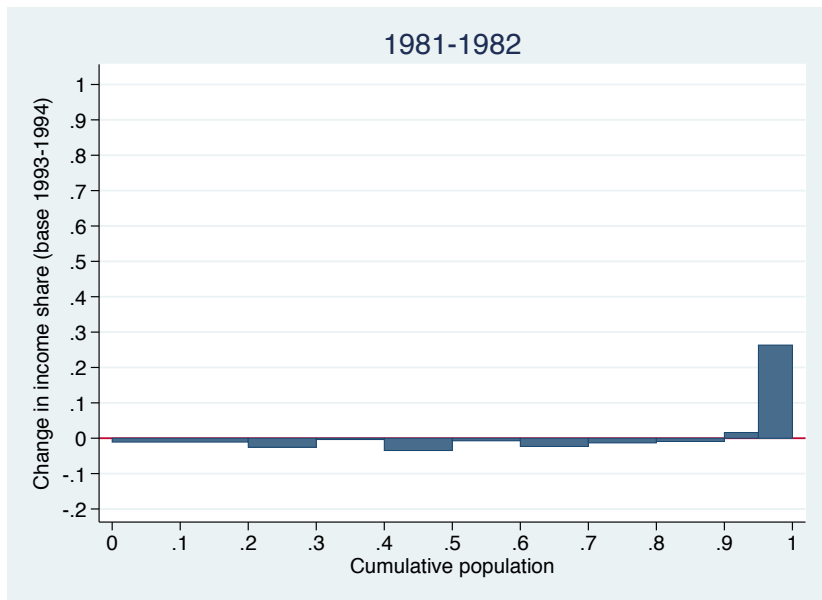
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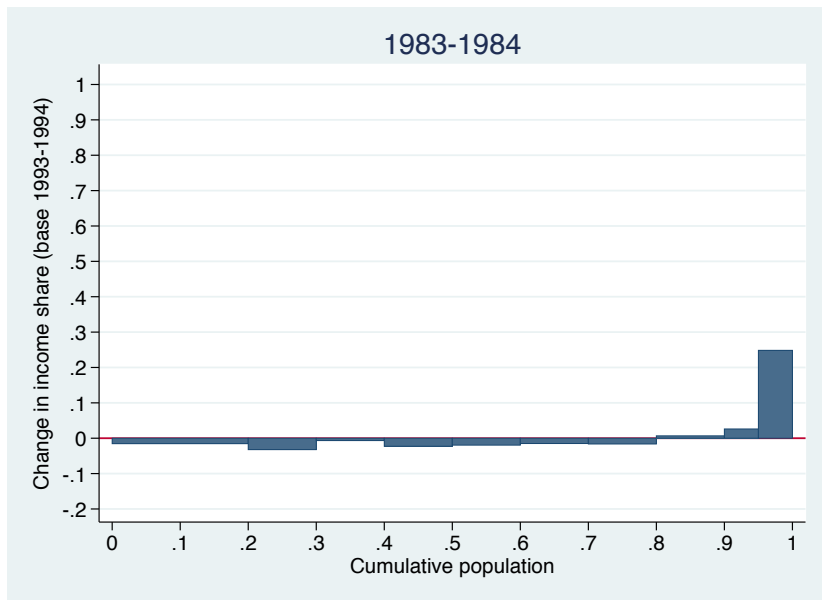
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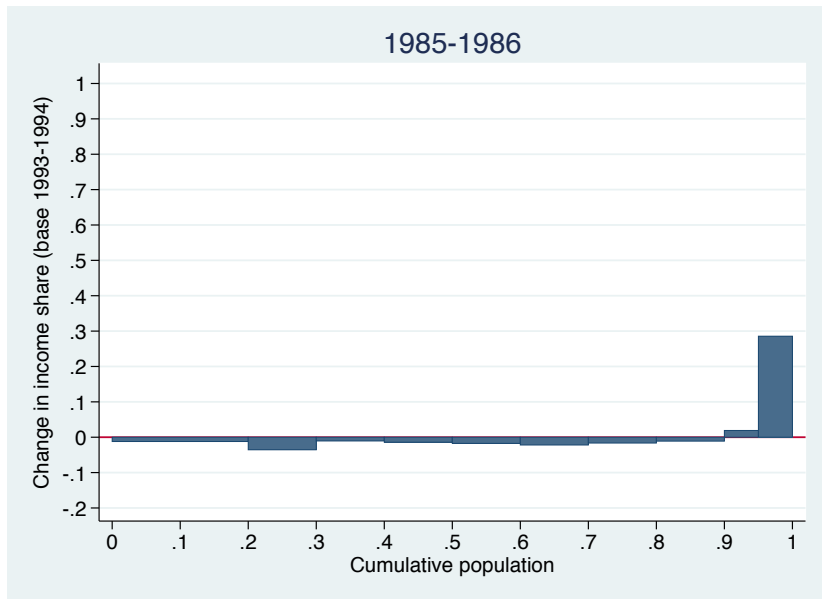
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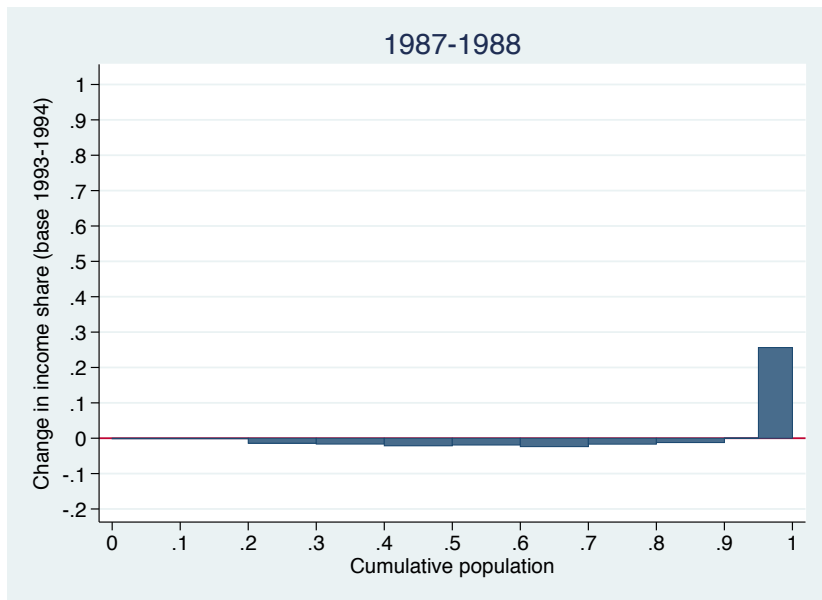
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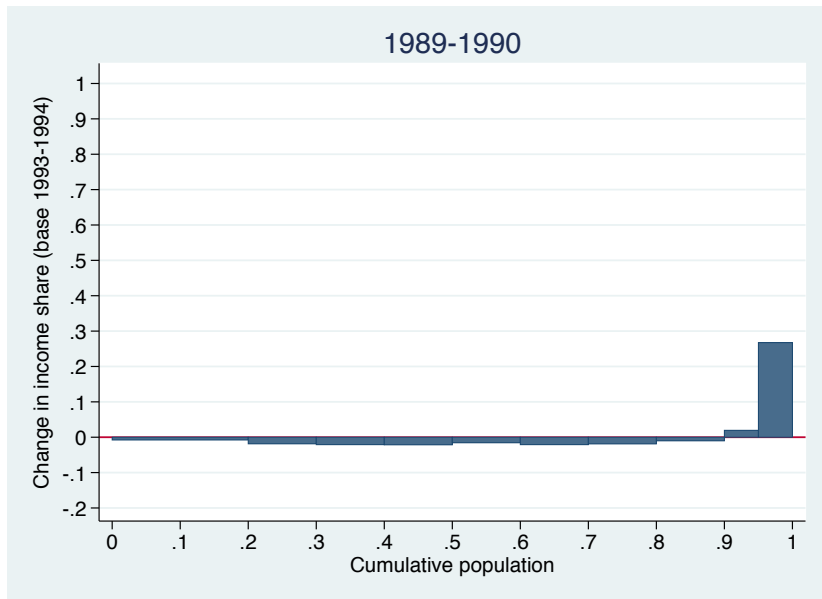
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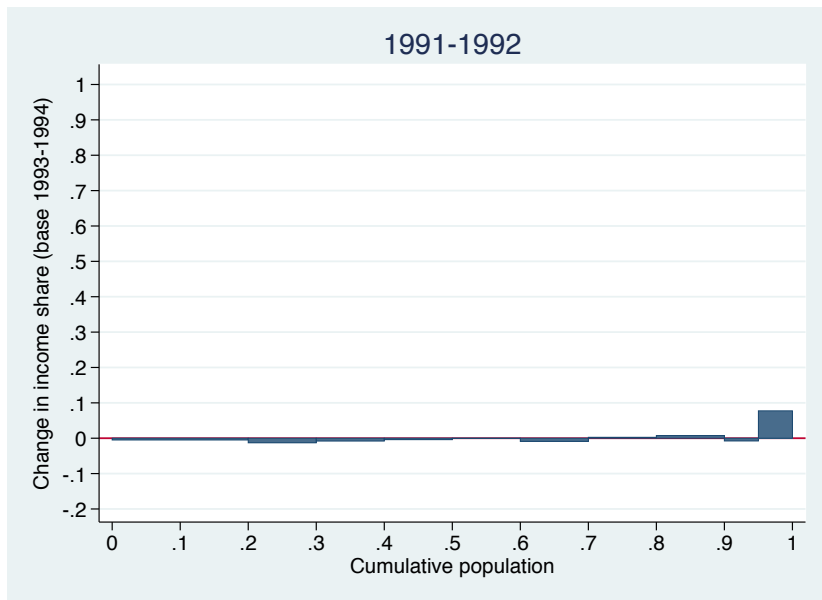
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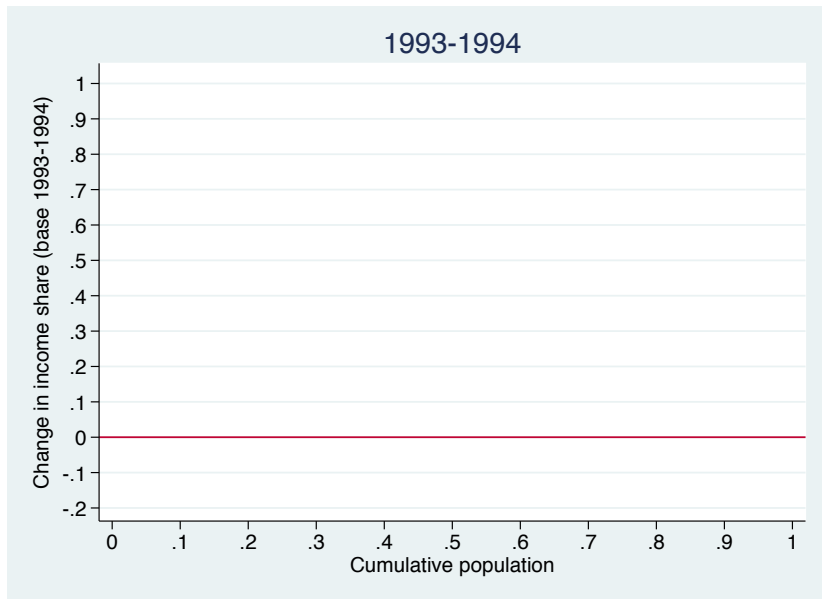
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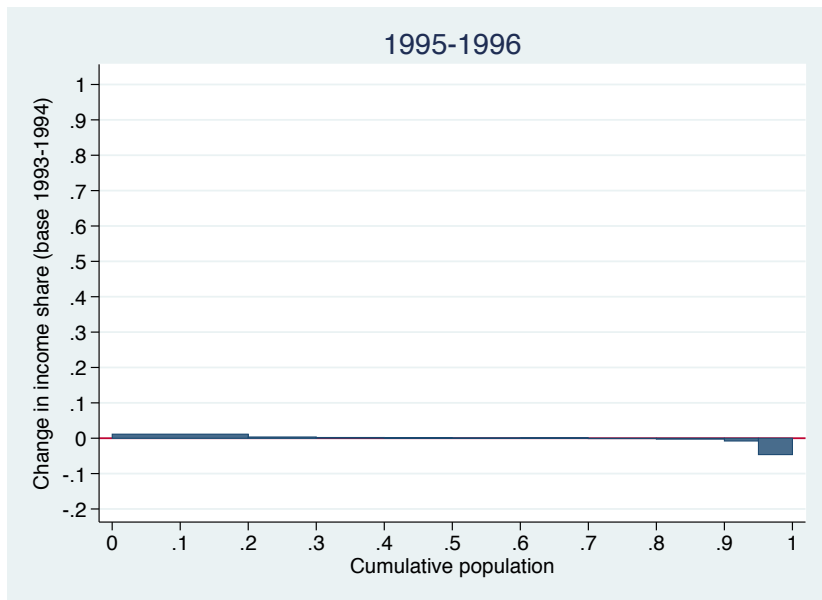


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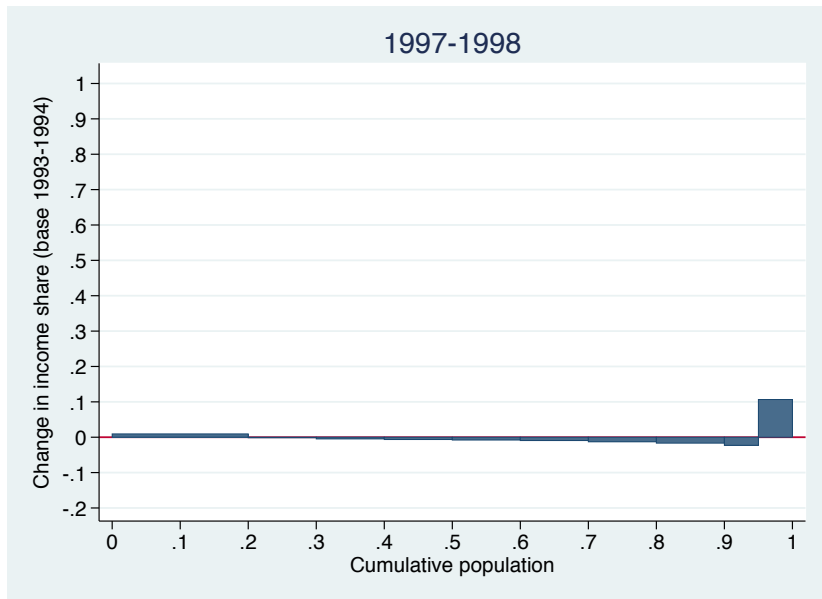
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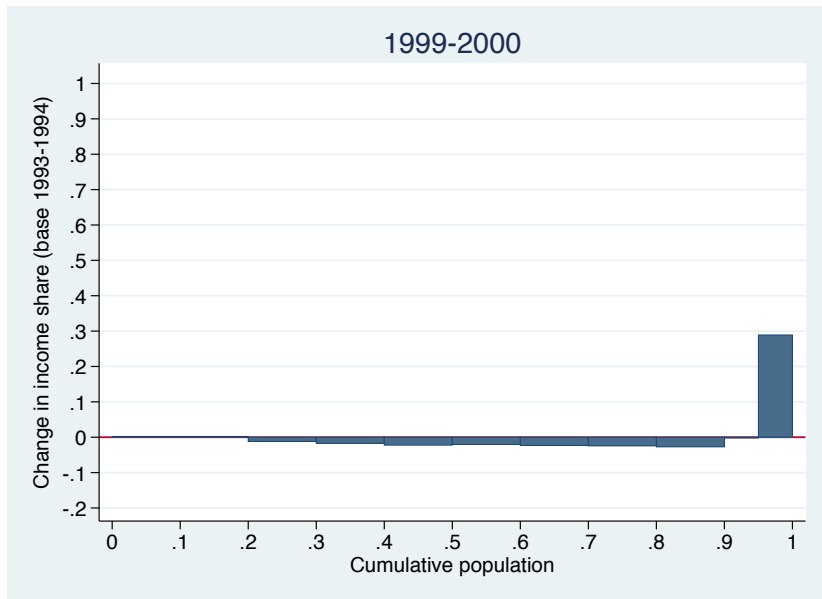
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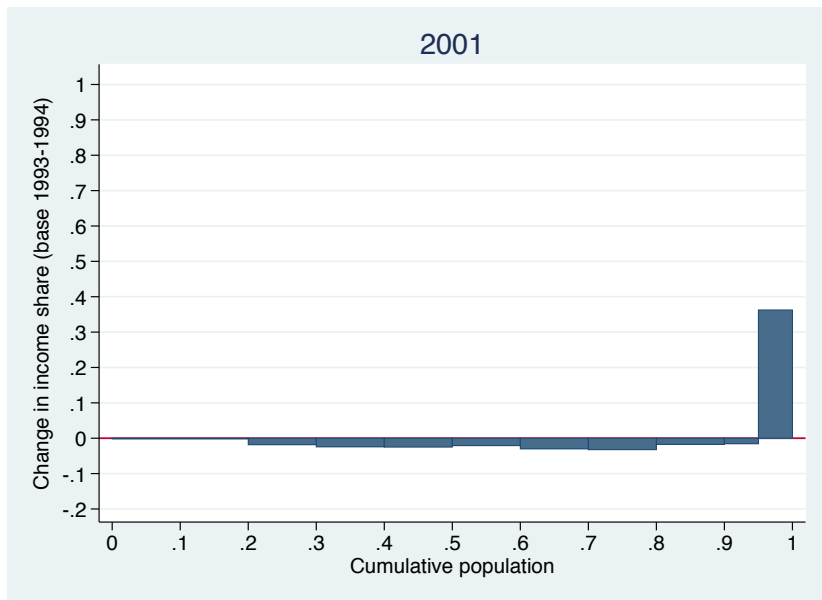
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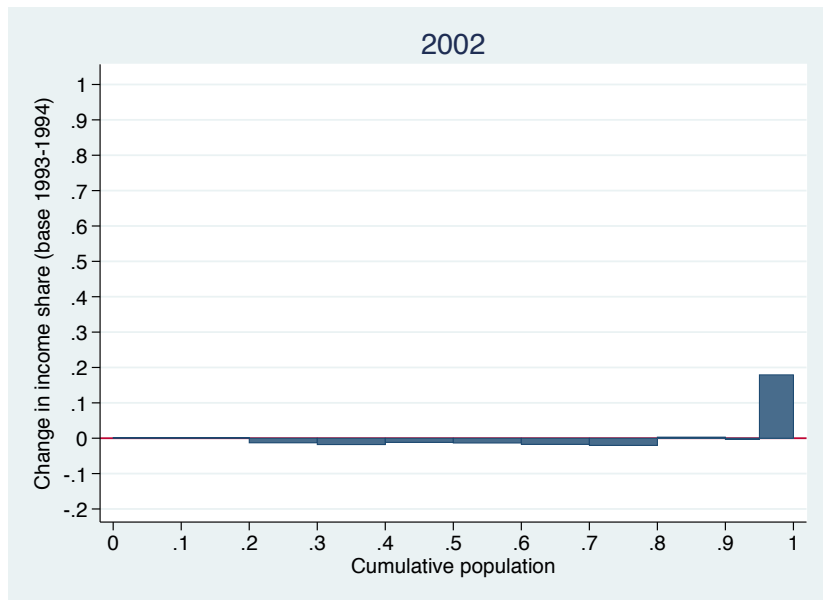
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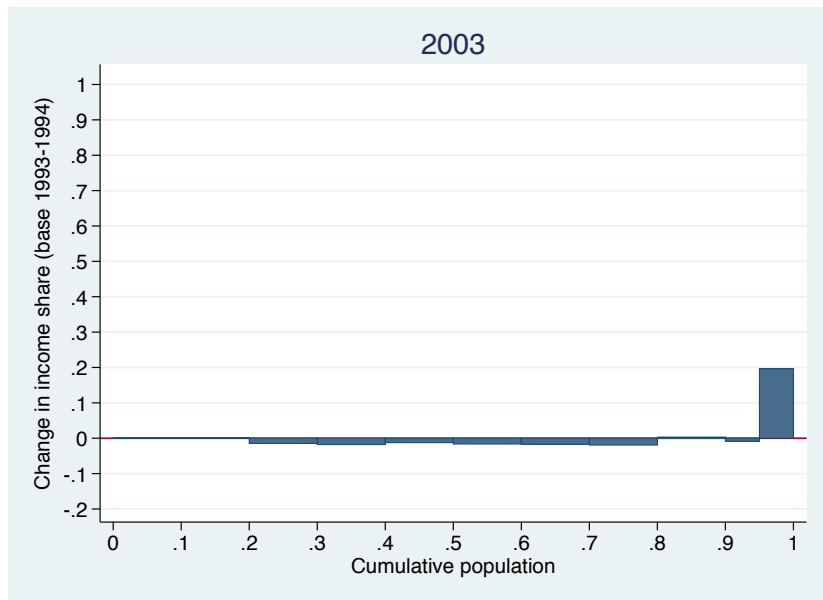
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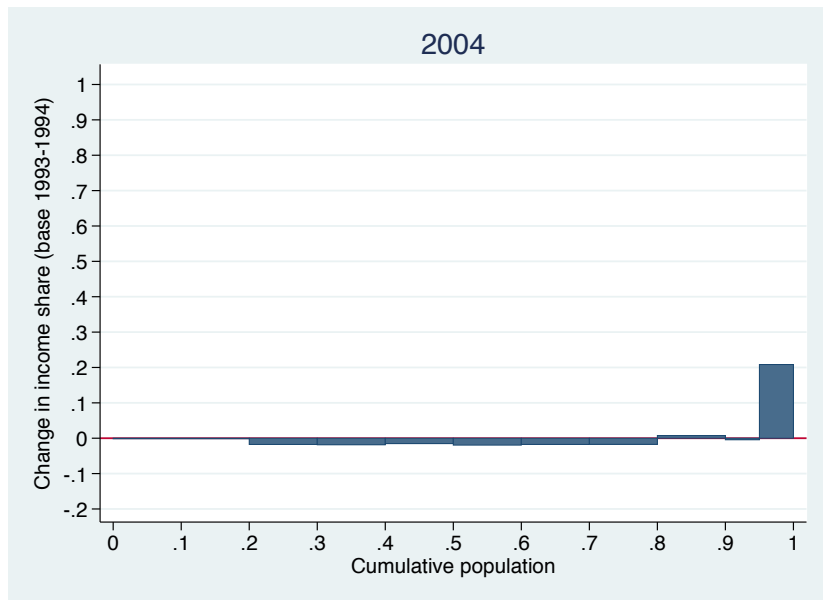
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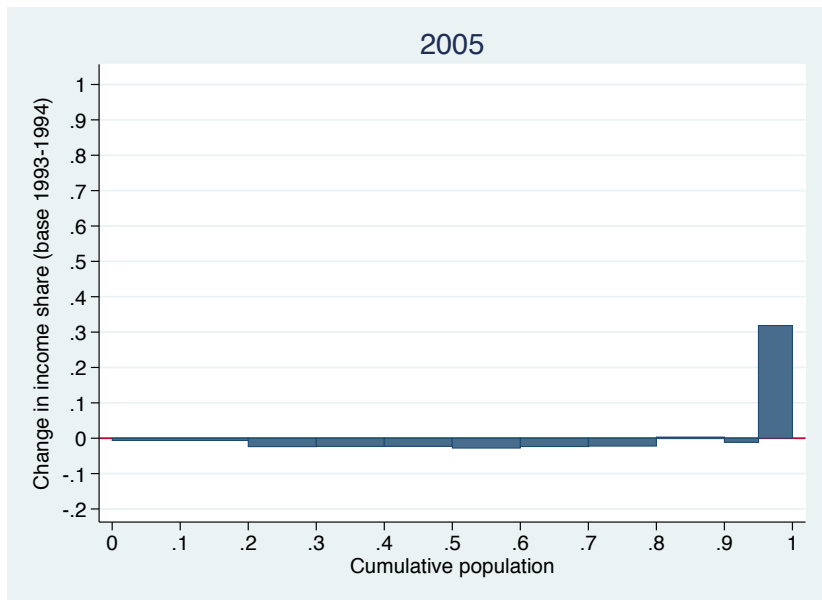
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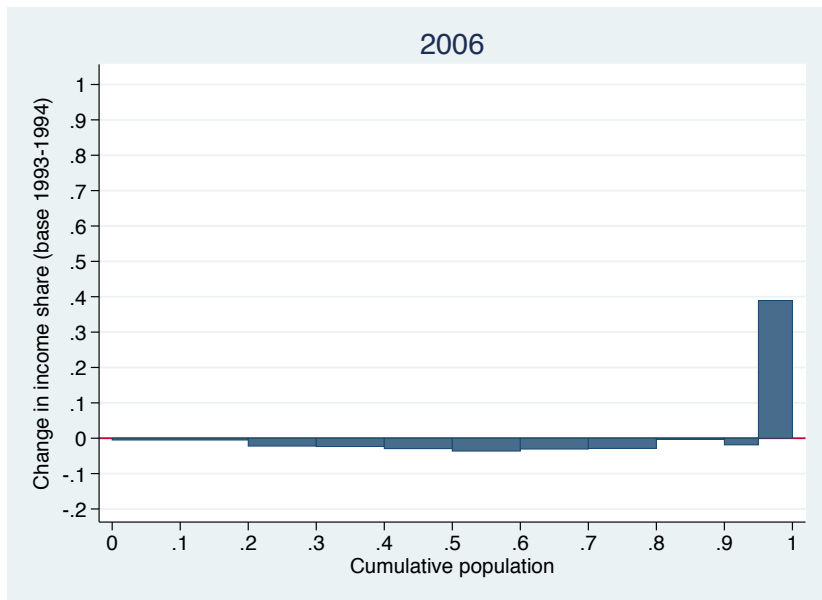


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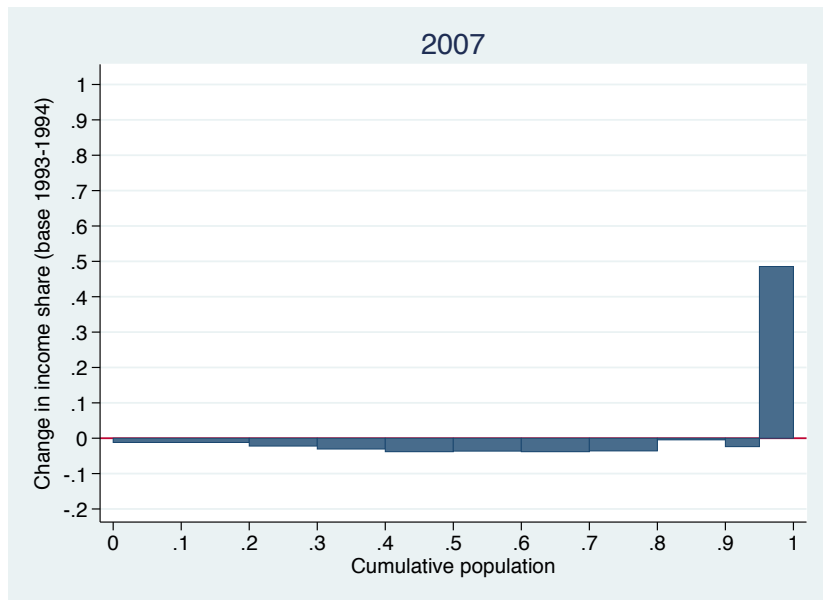
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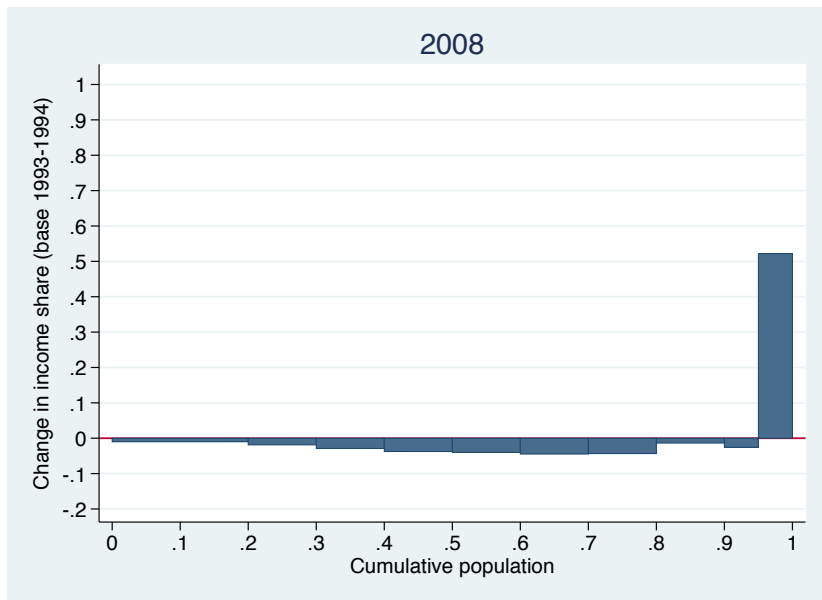
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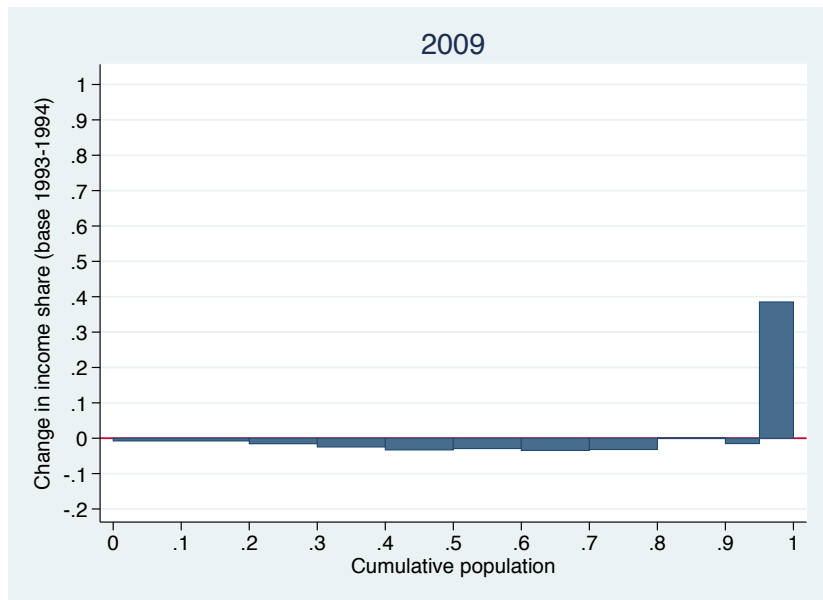
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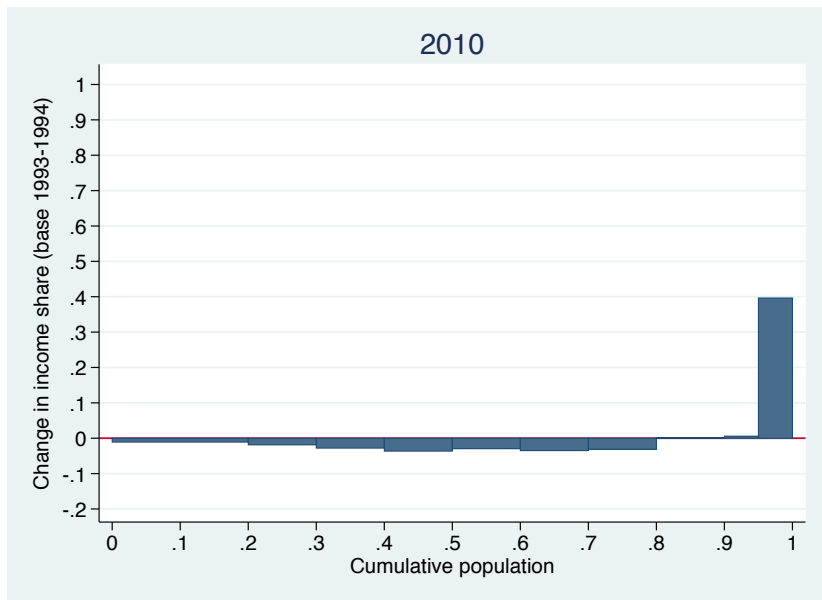
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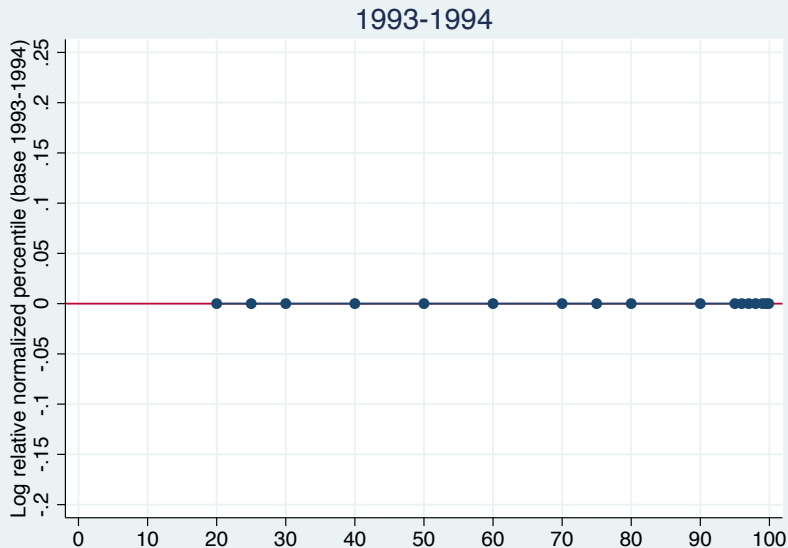
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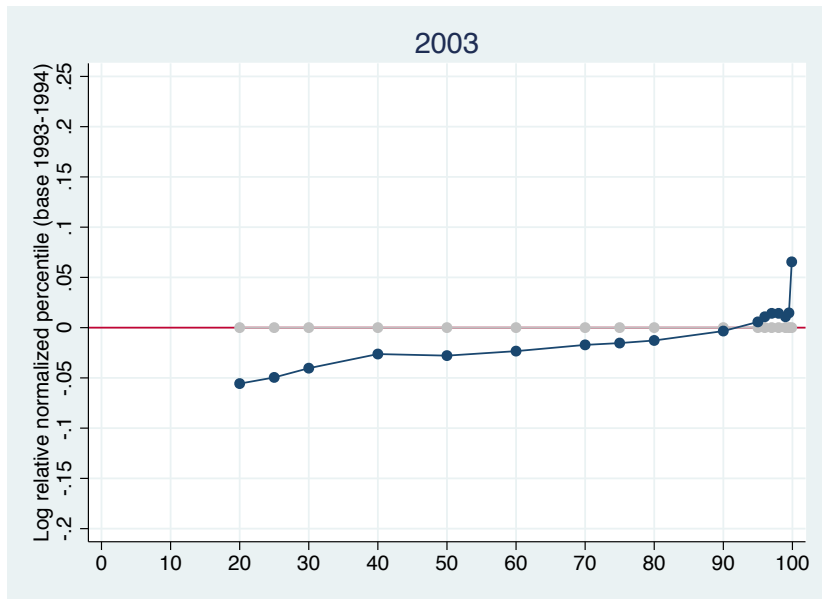
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# Shape change 1993–2009 (including non-taxed)



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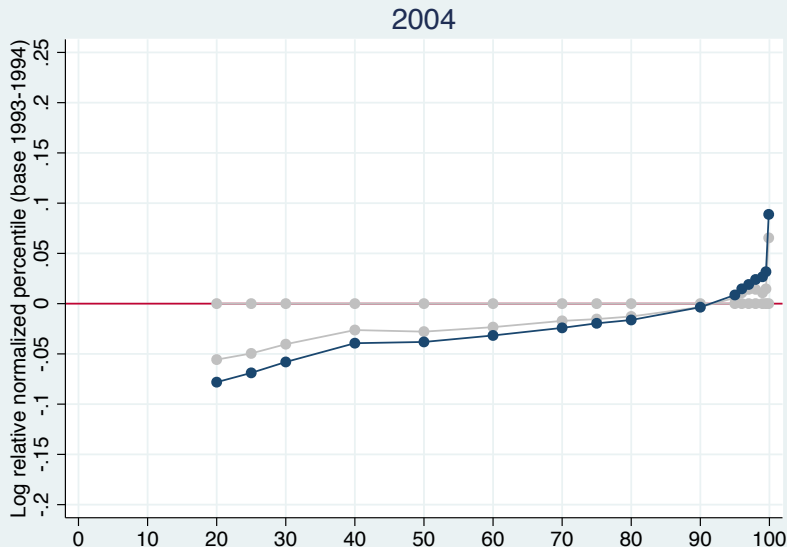
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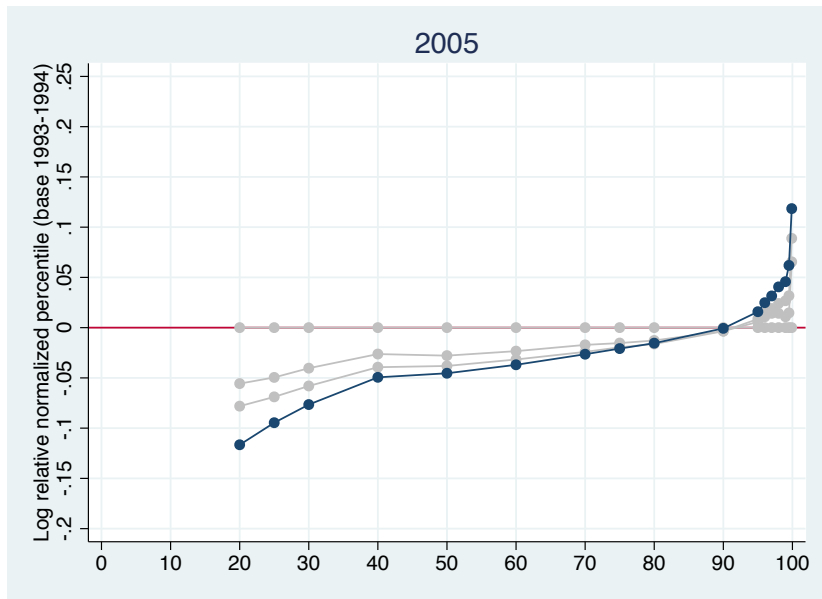


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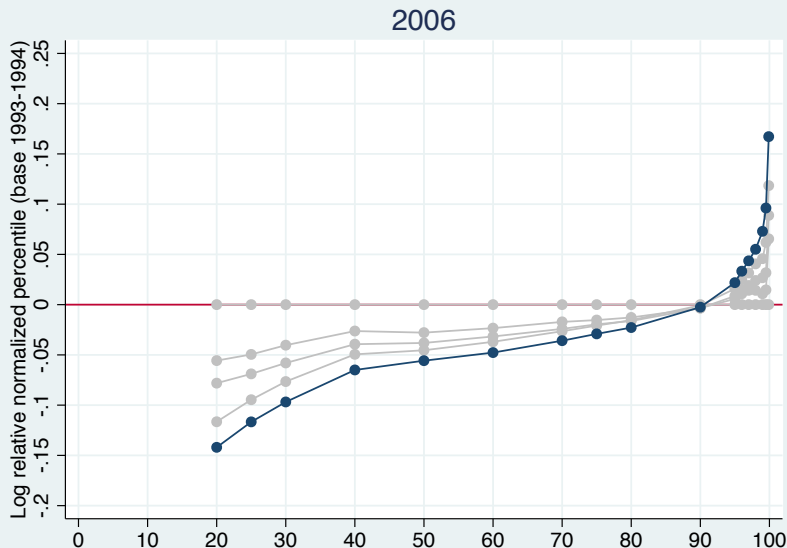


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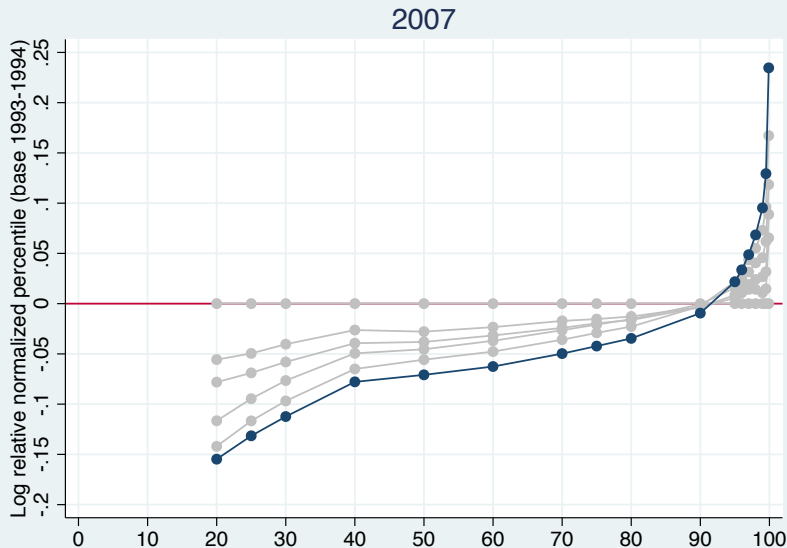


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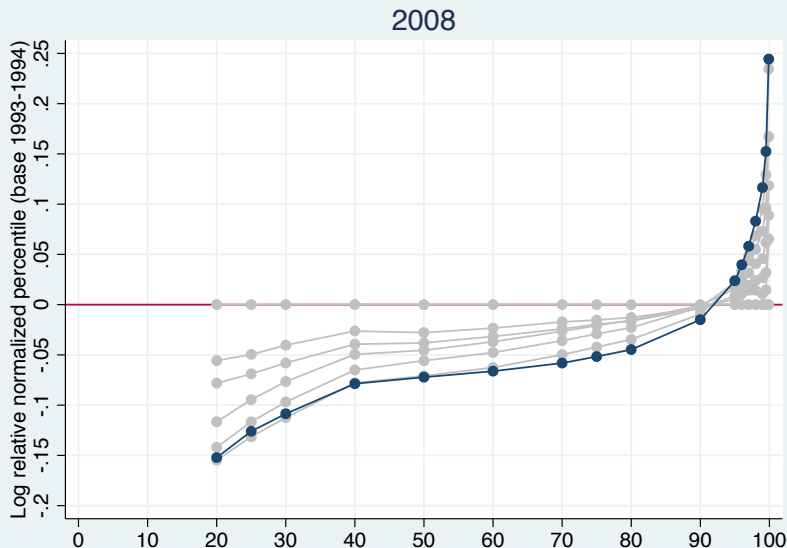
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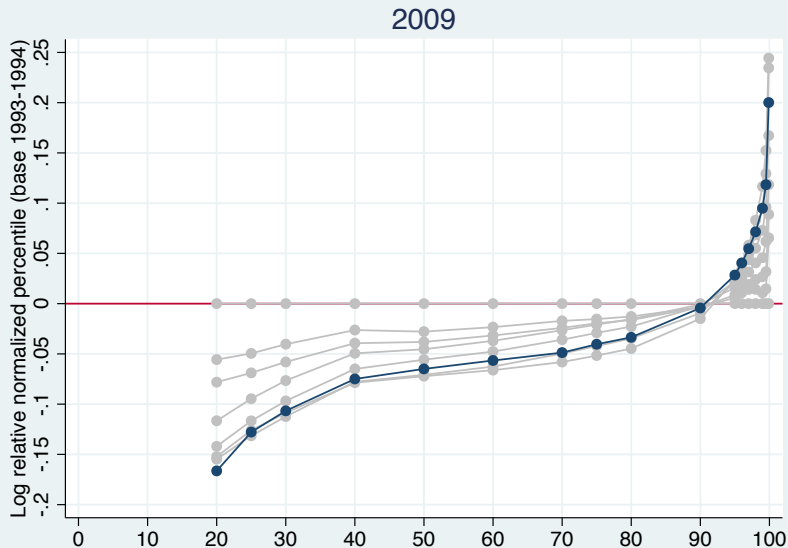
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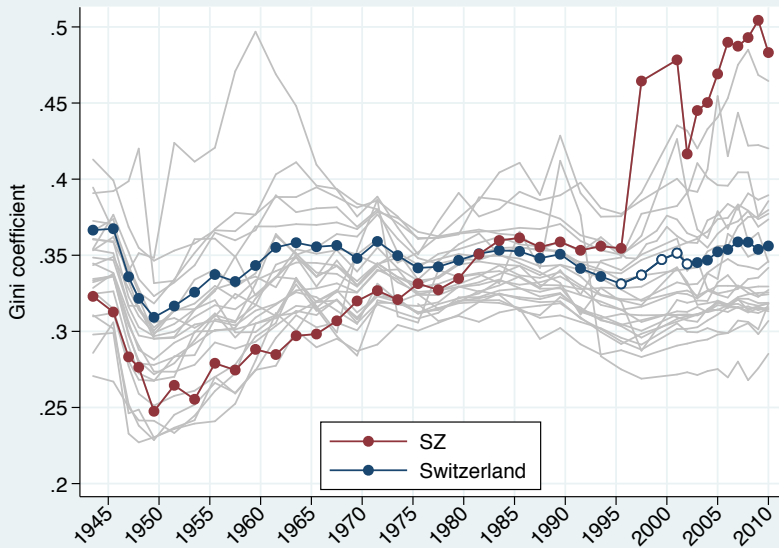
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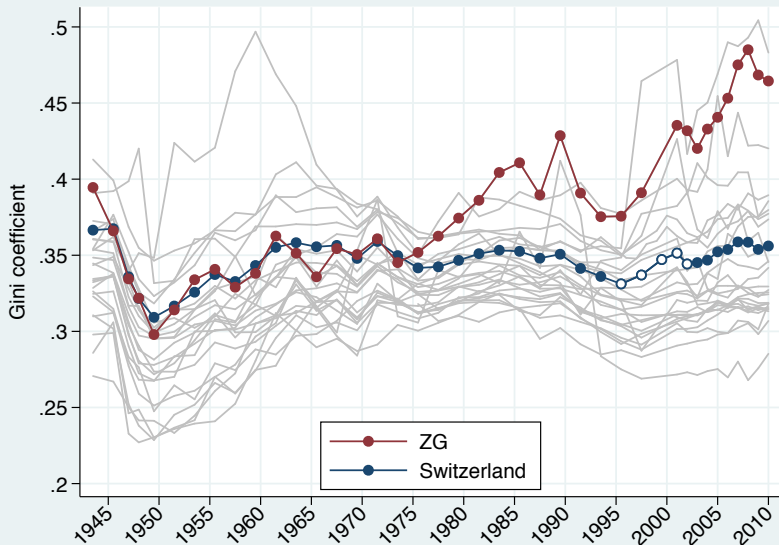
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# Regional development of income inequality



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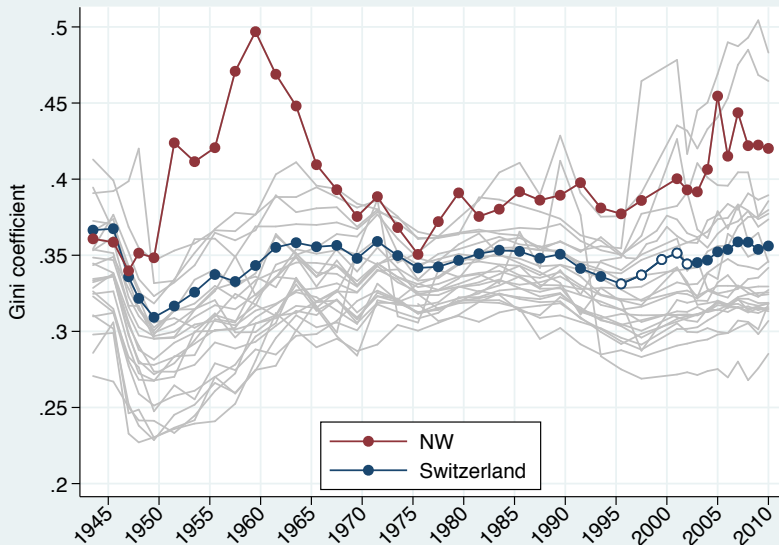
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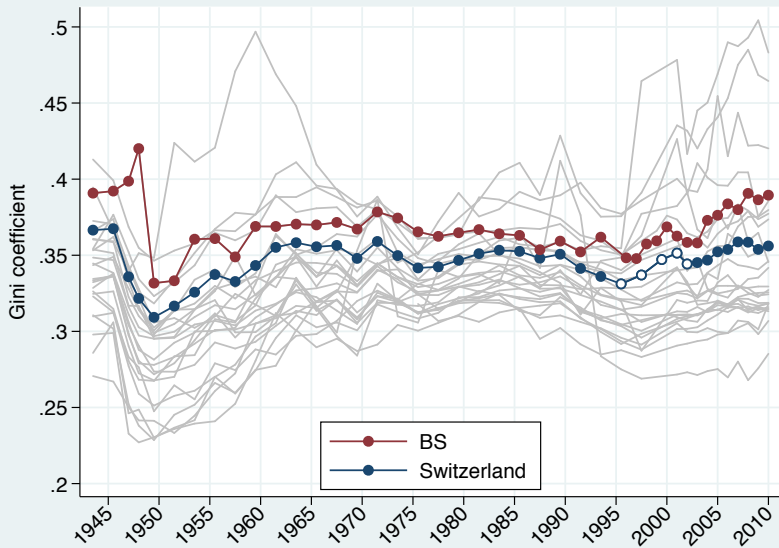


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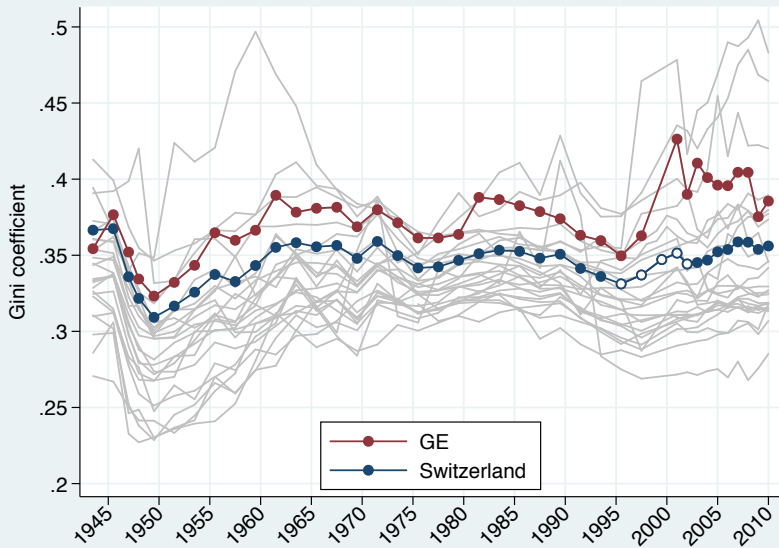
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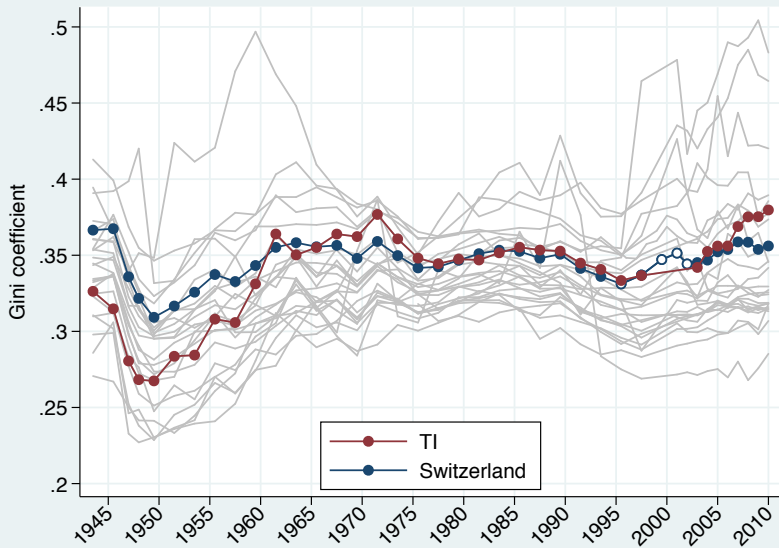
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# Regional development of income inequality



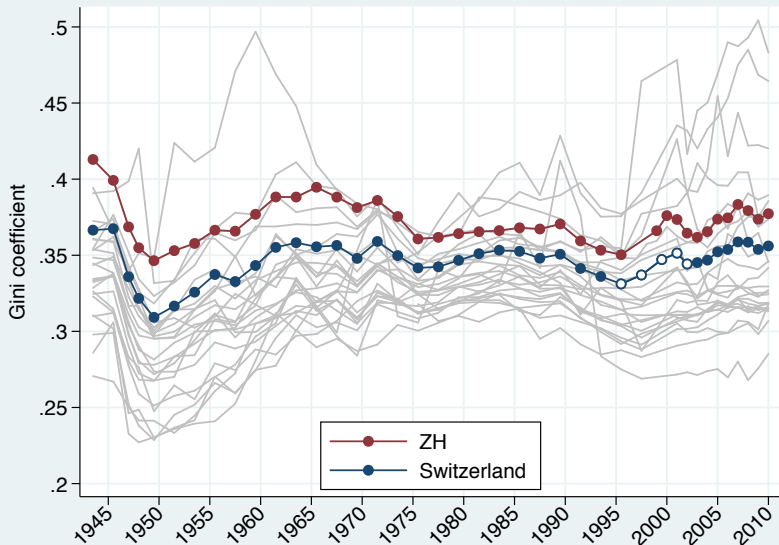
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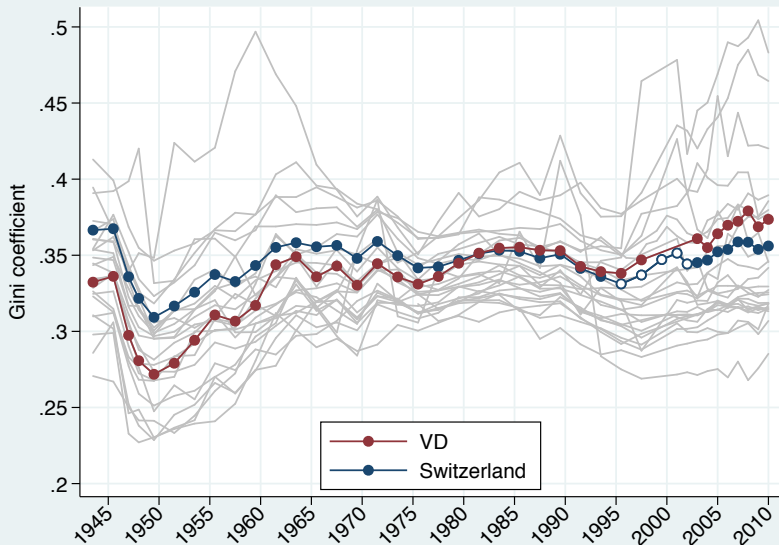
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# Regional development of income inequality



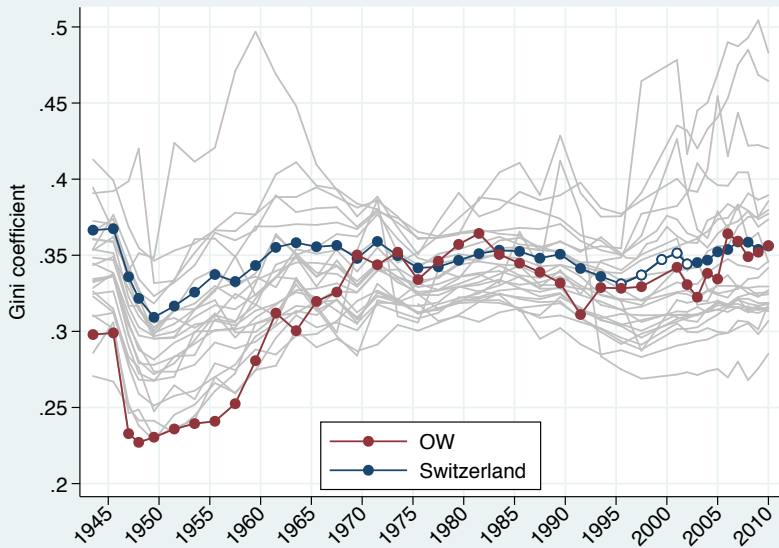
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# Regional development of income inequality



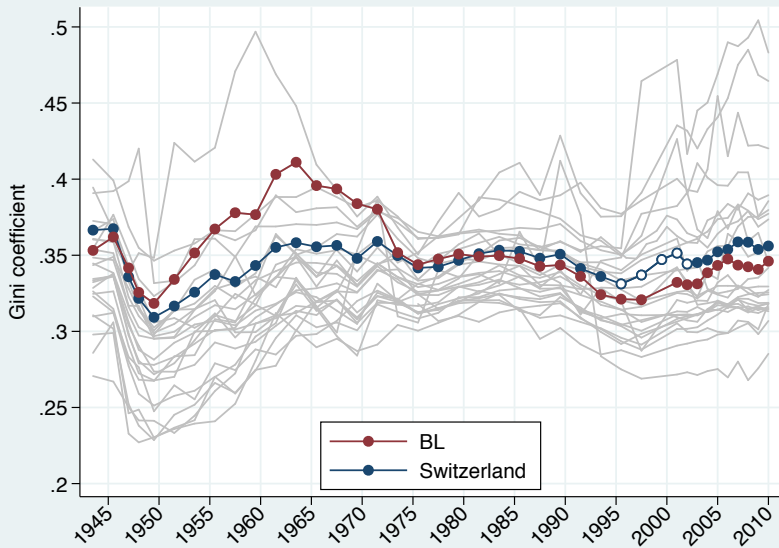
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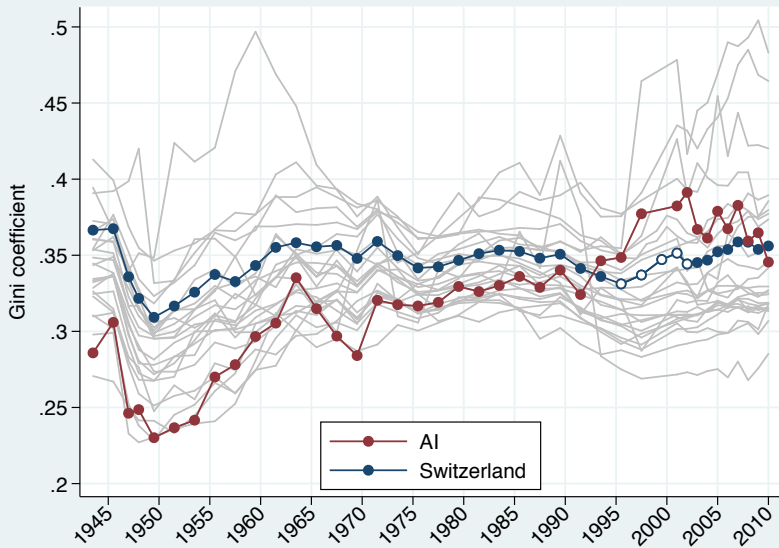
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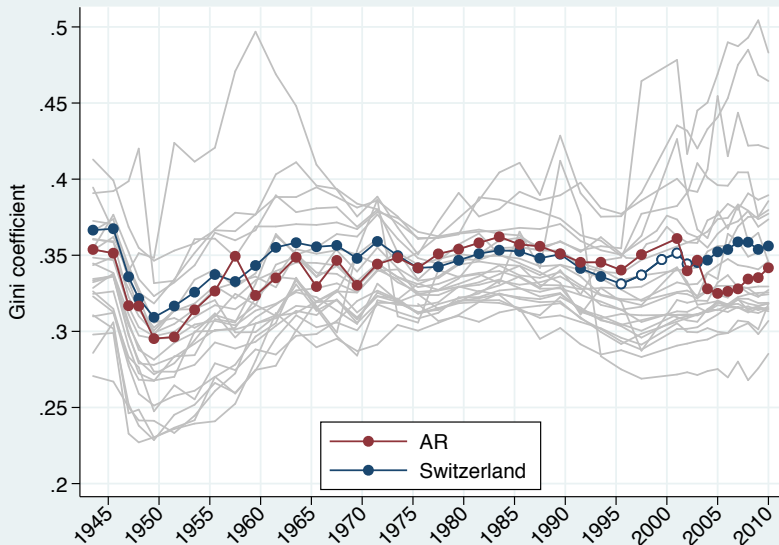


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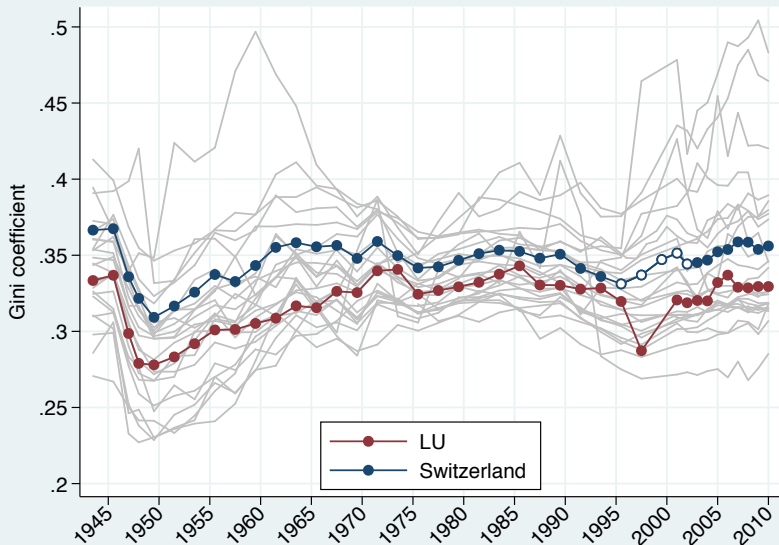
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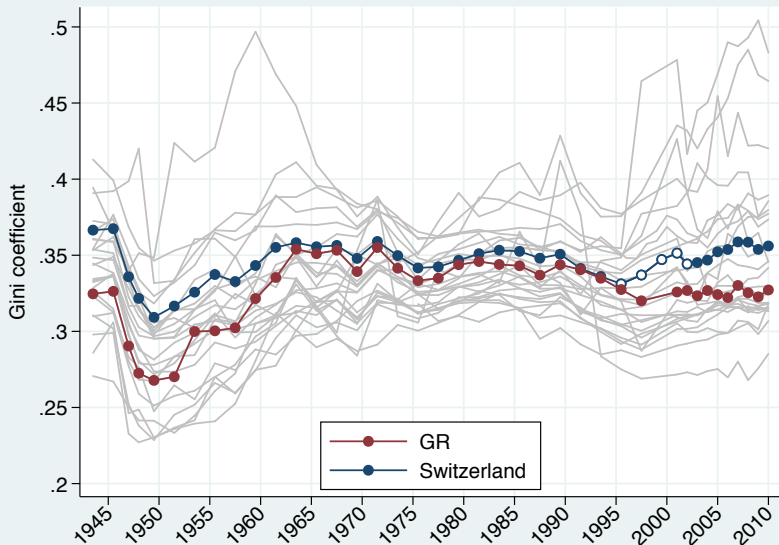
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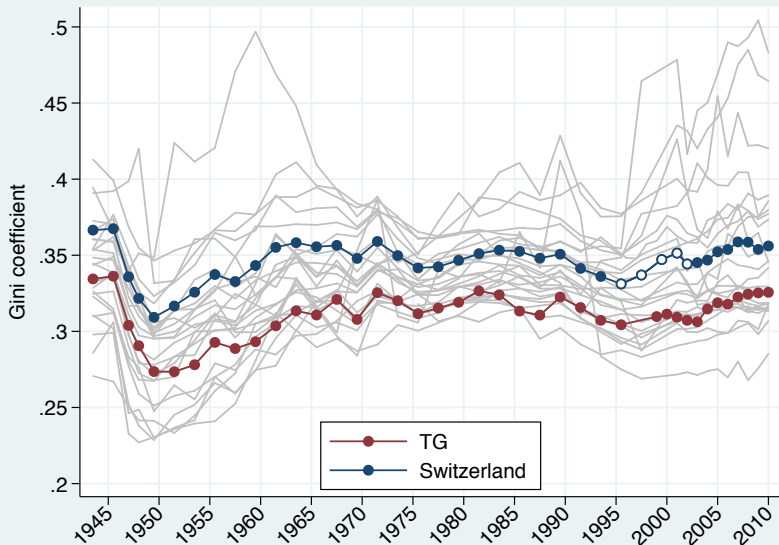
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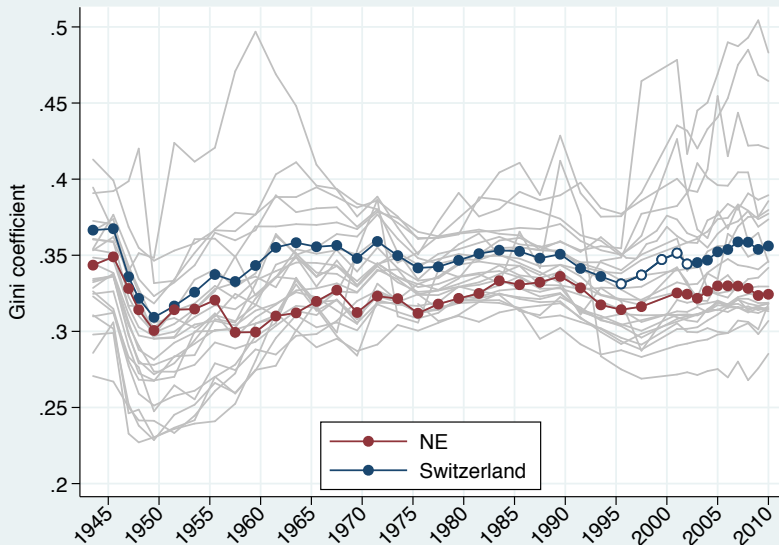
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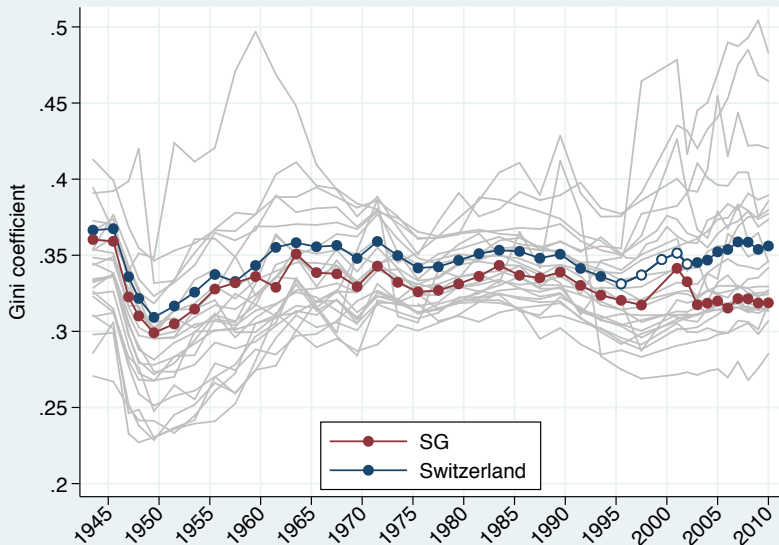
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# Regional development of income inequality



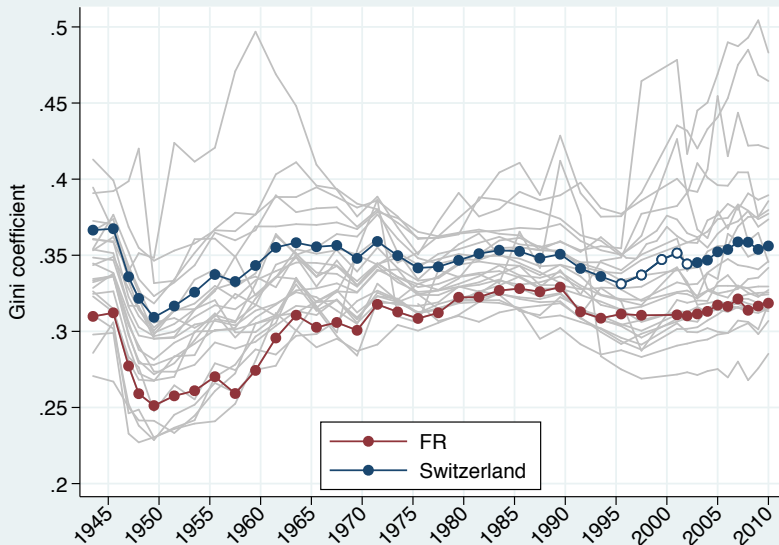
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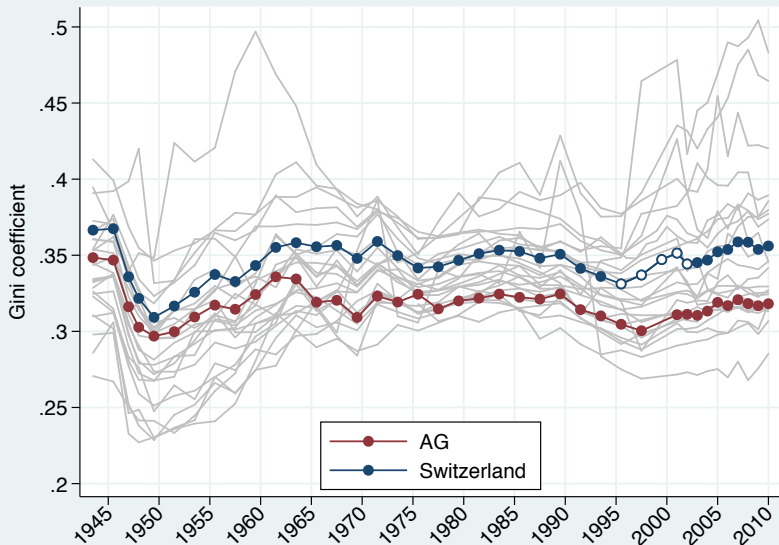
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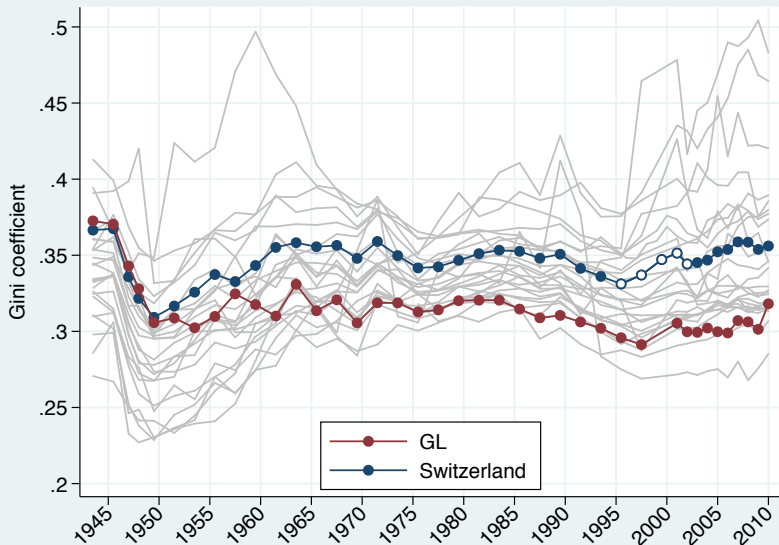


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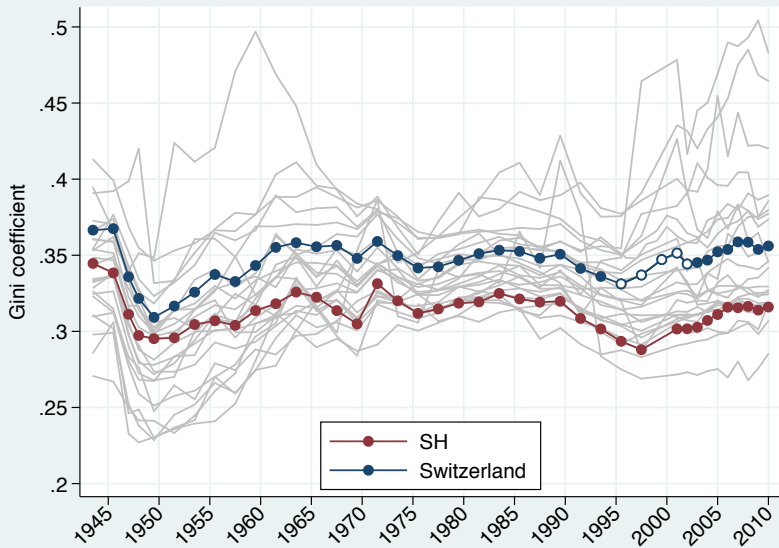
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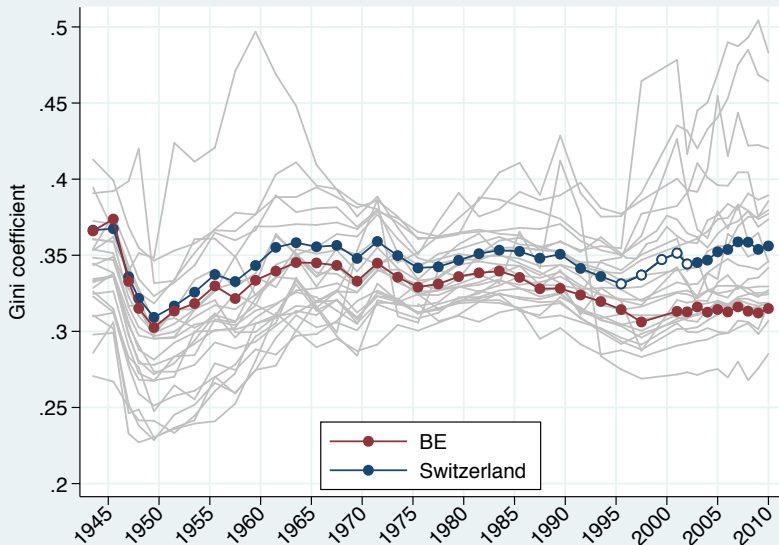
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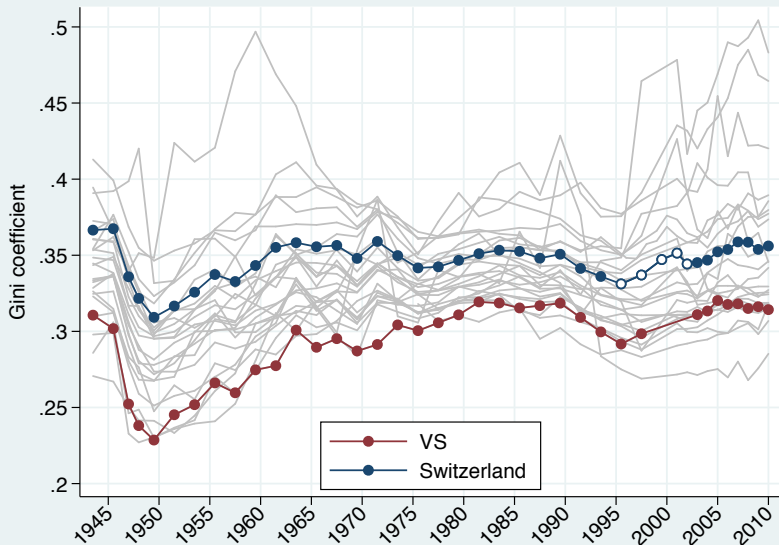
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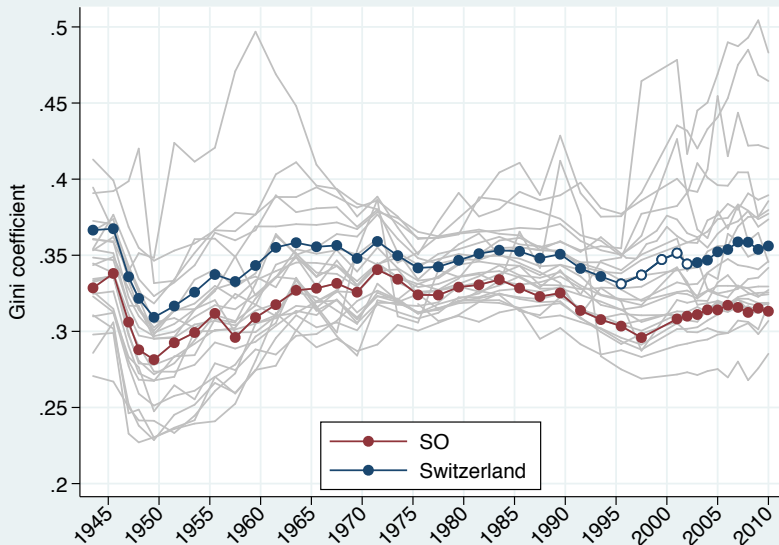
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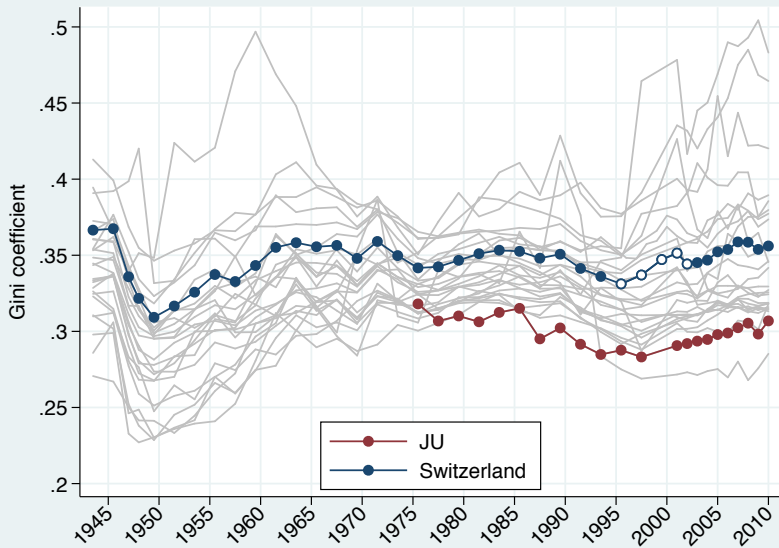
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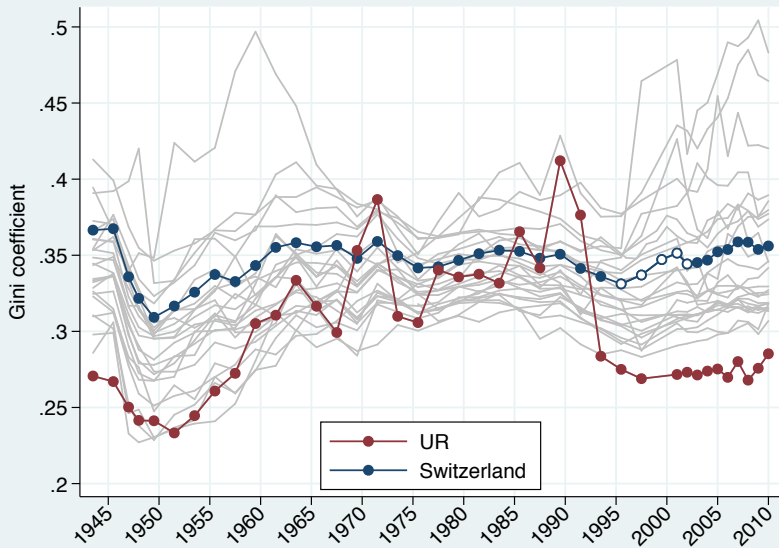
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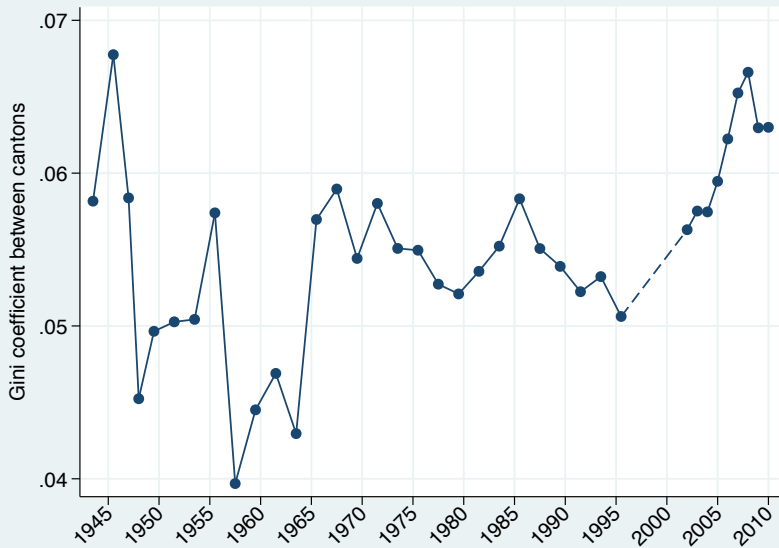
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# Regional development of income inequality



Source: <http://www.estv.admin.ch/dokumentation/00075/00076/00701/index.html>

# Summary

- Various ups and downs of inequality:
  - ▶ strong decrease in the 1940s
  - ▶ strong increase between 1950 and the mid 1960s
  - ▶ overall decrease between the mid 1960s and mid 1990s
  - ▶ increase since 1995
- Striking relation to growth: crises seem to reduce inequality
- Some changes in the form of the distribution, mostly at the top
- Wide variety of regional developments; divergence in regional levels of inequality since the 1970s
- Problems:
  - ▶ Number of non-taxed units changed over time; this is not accounted for in the above analyses
  - ▶ Tax units are not necessarily equal to households; income is not equivalized

# Outlook: Inequality Monitor

- Background

- ▶ Existing reports and analyses of economic inequality in Switzerland are based on various methods and databases. Results from these studies are often fragmented and inconsistent so that it is difficult to draw an overall picture of the development of inequality.
- ▶ The insights from our project (evaluation of the data and methods, development of key indicators, knowledge about driving factors) will provide a basis to build up a monitoring of the distribution of income and wealth and social inequality.
- ▶ Such monitoring will supply important information on the changing structure of our society.

# Outlook: Inequality Monitor

- An instrument for observing changes in the distribution of income and wealth
  - ▶ Collect and compile information on economic inequality in a systematic way.
  - ▶ Provide key indicators about the distribution of income and wealth by subgroups and regions.
  - ▶ Employ a combined view on income and wealth.
  - ▶ Provide analyses of the main driving factors of inequality.
  - ▶ Document and analyze the institutional changes that affect the distribution (e.g. tax system, social security).
  - ▶ Provide regular reports on inequality based on consistent and homogeneous data and methods.